Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 03529 01 OF 02 021633Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 FAA-00 NSCE-00 NSC-05 SS-15
SSO-00 L-03 INRE-00 PRS-01 SP-02 PM-04 EPA-01 OES-06
/067 W
----------021653 114749 /43
O 021619Z MAR 77 ZFF 4
FM AMEMBASSY LONDON
TO SECSTATE WASHDC NIACT IMMEDIATE 1139

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 03529

FOR COOPER AND KATZ (STATE), ADAMS (DOT), ROBSON (CAB).
PASS WHITE HOUSE FOR JOHNSTON AND COMMERCE FOR TOLO.

E.O. 11652: N/A
TAGS: EAIR, UK
SUBJECT: US-UK CIVAIR NEGOTIATIONS: USDEL REPORT ON
SECOND MEETING, MARCH 1.

1. AT OPENING OF MEETING BOYD MADE FOLLOWING STATEMENT:
A. OVER THE COURSE OF THREE ROUNDS OF NEGOTIATIONS
TOWARD A NEW AIR SERVICES AGREEMENT, THE UNITED STATES
HAS COME TO RECOGNIZE THE GENUINE DIFFICULTIES WHICH
THE GOVERNMENT OF THE UNITED KINGDOM PERCEIVES IN THE
OPERATION OF THE BERMUDA AGREEMENT. WHILE WE HAVE
ASSERTED AND SUBSTANTIATED OUR BELIEF THAT THE PRIN-
CIPLES WHICH UNDERLIE THAT AGREEMENT CAN, WITH
MODIFICATION, FORM THE BASIS OF A NEW, IMPROVED, AND
MUTUALLY ACCEPTABLE BILATERAL AGREEMENT, WE HAVE
SIMULTANEOUSLY NOTED THOSE AREAS IN WHICH THE BRITISH
GOVERNMENT REGARDS SOME CHANGE IN THE EXISTING AGREE-
MENT TO BE WARRWKRLG AND WE HAVE SOUGHT TO PRESENT
IN DRAFT PROPOSALS OUR CONCEPTIONS OF HOW THAT CHANGE
MIGHT BE EFFECTED.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 03529 01 OF 02 021633Z

B. SPECIFICALLY, IN RESPONSE TO YOUR DEEP CONCERN OVER
EXCESS CAPACITY, THE UNITED STATES DELEGATION TABLED
YESTERDAY A DRAFT CAPACITY UNDERSTANDING BUILT ON A
PRESCREENING MECHANISM WHICH REPRESENTS A DRAMATIC
DEPARTURE FROM THE BERMUDA PRINCIPLES TO WHICH WE HAVE
SUBSCRIBED FOR 30 YEARS. WE ALSO SUGGESTED THE OUT-
LINES OF A JOINTLY AGREED STANDARD OF RATE REVIEW WHICH

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

WOULD LEAD TO MORE EFFICIENT USE OF CAPACITY, SAVINGS FOR CONSUMERS, AND INCREASED PROFIT FOR CARRIERS. OUR DISCUSSION OF OTHER ISSUES CENTRAL TO THE RENEGOTIATION HAS EVINCED A SIMILAR WILLINGNESS TO COMPROMISE, IN THE RECOGNITION THAT WITHOUT MOVEMENT AND COMPROMISE BY BOTH SIDES, OUR ATTEMPT TO REACH A NEW AGREEMENT CANNOT SUCCEED.

C. BY CONTRAST, THE PROPOSALS TABLED BY THE UNITED KINGDOM HAVE INDICATED VIRTUALLY NO MOVEMENT; IN FACT, THEY REITERATE VIEWS STATED AT THE INCEPTION OF THE RENEGOTIATION PROCESS IN AUGUST. IN SEPTEMBER THE UNITED STATES UNEQUIVOCALLY REJECTED CERTAIN BRITISH PROPOSALS, SUCH AS THAT FOR AN EQUAL DIVISION OF CAPACITY, AS A BASIS FOR NEGOTIATION. IN DECEMBER, WHEN THE UNITED KINGDOM ONCE MORE ADVANCED SUCH PROPOSALS, THE UNITED STATES RESPONDED WITH AN AIDE-MEMOIRE OF DECEMBER 23 AND ANOTHER OF JANUARY 27, EACH STATING IN THE PLAINEST POSSIBLE LANGUAGE THAT THE UK PROPOSALS WERE SO EXTREME THAT THEY COULD NOT BE AN ACCEPTABLE BASIS FOR RENEGOTIATION.

D. WE CONTINUE TO ADHERE TO THAT POSITION. SPECIFICALLY, WE CANNOT ACCEPT THE CONCEPT OF A GOVERNMENTALLY MANDATED SPLIT OF THE MARKET ON PARTICULAR ROUTES OR AGREE TO RESTRICTIVE CAPACITY ARRANGEMENTS INTENDED TO ACHIEVE THAT END. NOR CAN WE ACCEPT A MECHANISM FOR AVOIDING EXCESS CAPACITY WHICH, BY PERMITTING AIRLINES COLLECTIVELY TO DETERMINE CAPACITY, WITH OR WITHOUT GOVERNMENT SUPERVISION, WOULD SIGNIFICANTLY REDUCE COMPETITION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

E. WE ARE THEREFORE RETURNING YOUR DRAFT CAPACITY ARTICLE. IT DOES NOT CONSTITUTE THE BASE ON WHICH WE MUST BUILD IF WE ARE TO REACH AN ACCORD ON THIS COMPLEX AND IMPORTANT ISSUE.

F. WE HAVE SUBMITTED PROPOSALS ON CAPACITY AND RATES WHICH DO IN FACT REFLECT A DEPARTURE FROM THE VIEWS WE STATED AT THE BEGINNING OF THE RENEGOTIATION. WE HAVE DRAFTED THESE PROPOSALS AFTER LONG AND SERIOUS CONSIDERATION OF OUR OWN POSITION, AND WE BELIEVE THAT THEY DO AFFORD A REAL BASIS FOR DISCUSSION IN THE CONSTRUCTION OF A MUTUALLY ACCEPTABLE AGREEMENT. WE BELIEVE THAT CAPACITY AND RATES MUST BE LINKED. WE UNDERSTAND THE COMPLEXITY OF DOING SO, AND KNOW THAT YOUR OWN EXAMINATION OF THAT LINKAGE HAS MADE YOU AWARE OF THE DIFFICULTIES. IF WE ARE TO DEVELOP A NEW MEANS OF RESOLVING THE PROBLEMS THAT WE BOTH AGREE EXIST WITH THE HANDLING OF CAPACITY AND RATES IN THE EXISTING BERMUDA SYSTEM, WE MUST TOGETHER THINK THROUGH THIS RELATIONSHIP.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

G. WE HAVE TWO PROPOSALS BEFORE US. THE PRINCIPLES

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 03529 02 OF 02 021633Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 INR-07 NSAE-00 FAA-00 NSCE-00 NSC-05 SS-15
SSO-00 L-03 INRE-00 PRS-01 SP-02 PM-04 EPA-01 OES-06
/067 W
----------021652 114774 /43
O 021619Z MAR 77 ZFF 4
FM AMEMBASSY LONDON
TO SECSTATE WASHDC NIACT IMMEDIATE 1140

LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 03529

YOU HAVE ADVANCED ARE UNACCEPTABLE. WE BELIEVE THAT OUR PROPOSAL CAN SERVE AS A PRAGMATIC BASE FROM WHICH WE CAN PROCEED AND HOPE THAT YOU MAY AGREE. IT MAY BE APPROPRIATE TO RECESS UNTIL YOU ARE ABLE TO DEAL COMPREHENSIVELY WITH THE PROPOSAL WE HAVE SUBMITTED. IF SERIOUS CONSIDERATION OF THAT PROPOSAL PROVES IMPOSSIBLE, WE SEE LITTLE HOPE FOR PROGRESS IN THIS ROUND. PENDING YOUR DECISION WE SEE NO USEFUL PURPOSE IN DISCUSSING ANY OTHER ISSUES.

2. SHOVELTON REACTED BY EXPRESSING SURPRISE THAT USDEL SHOULD, AFTER ONLY ONE DAY OF TALKS, MAKE SUCH A STATEMENT, WHICH IMPLIED US MIGHT NOT CONTINUE NEGOTIATIONS. HE WOULD HAVE TO REPORT TO HIS MINISTER (DELL) WHO WOULD UNDOUBTEDLY WANT TO ADVISE PRIME MINISTER. HE FELT BEST WAY OF PROCEEDING WAS A BUILDING BLOCK APPROACH BY FIRST NEGOTIATING ISSUES WHERE SOME PROGRESS COULD BE MADE, SUCH AS AIR FARES, LEAVING DIFFICULT ISSUES, SUCH AS CAPACITY, TO ONE SIDE FOR THE MOMENT. BOYD RESPONDED THAT US HAD MADE CLEAR SINCE LAST AUGUST THAT UK MARKET SHARE AND CAPACITY
LIMITED OFFICIAL USE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

POSITION WERE UNACCEPTABLE AND THAT, IF THERE IS NO PROSPECT RESOLVING DIFFICULT ISSUES, BOTH COUNTRIES AND THE PUBLIC SHOULD KNOW THAT NOW, NOT LATE IN JUNE. FOR THAT REASON, HE WOULD NOT AGREE PUT CAPACITY ISSUE ASIDE.

3. AFTER CONSIDERABLE DISCUSSION, IT WAS AGREED ESTABLISH A HIGH LEVEL WORKING GROUP OF BOYD AND SHOVELTON WITH TWO OTHERS ON EACH SIDE TO DISCUSS US CAPACITY PROPOSALS AND AIR FARE PROPOSALS, WITH PRIORITY ON FORMER. THIS GROUP WILL MEET WEDNESDAY AFTERNOON. NEXT PLENARY SET FOR THURSDAY.

4. WORKING GROUPS ALSO ESTABLISHED ON CHARTERS AND GATWICK AIRPORT QUESTIONS. AT CLOSE OF MEETING, USDEL TABLED DRAFT ARTICLE ON DESIGNATION OF AIRLINES.

5. SHOVELTON ALSO RAISED THE PROBLEM OF THE CONCORDE'S ENTRY AT JFK EMPHASIZING THAT THE UK, LIKE FRANCE, FELT VERY STRONGLY THAT ITS TREATY RIGHTS PERMITTED THAT ENTRY. HE SAID THAT IF THE CONCORDE WERE REFUSED ENTRY IT IS BOUND TO HAVE AN EFFECT ON THE RENEGOTIATION OF THE US-UK BILATERAL AIR SERVICES AGREEMENT, BUT DECLINED TO INDICATE WHAT THOSE EFFECTS WOULD BE. WE DID NOT INVITE A SUBSTANTIVE RESPONSE AND NONE WAS GIVEN.

6. THERE WAS SOME DISCUSSION OF IMMEDIATE ISSUES WHICH WILL BE REPORTED SEPARATELY.

ARMSTRONG

LIMITED OFFICIAL USE

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, NEGOTIATIONS, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON03529
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770072-0014
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197703102/aaaadlqy.tel
Line Count: 205
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 714788ac-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2941641
Secure: OPEN
Status: NATIVE
Subject: US-UK CIVAIR NEGOTIATIONS: USDEL REPORT ON SECOND MEETING, MARCH 1.
TAGS: EAIR, UK, US
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/714788ac-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009